PHARMACY

Thrift Drug offering 3rd-party scripts by mail

PITTSBURGH—Thrift Drug, borrowing a page from parent company J. C. Penney's long mail-order history, has begun filling scripts by mail for some members of the American Federation of State, County and Municipal Employees in Pennsylvania.

The agreement between Thrift and AFSCME may mark the first time that a major drug chain has offered exclusive mail-order pharmaceutical services to third-party plan members.

In contrast, LaVerdiere's ACTION Mail Order Drug Co., in operation at the Winslow, Me.-based chain since 1976, accepts no third-party scripts of any kind.

"It's the way third-party prescription programs are headed," said one knowledgeable chain drug source. "Escalating costs of prescription drugs are forcing third-party script underwriters to look at alternative, less costly forms of distribution."

Thrift Drug's new program is being kept separate from its retail store operation. Rather than set up a mail-order pharmacy in one of its stores, the 350-unit chain has set aside 1,500 sq. ft. to 2,000 sq. ft. in its headquarters complex here. Two pharmacists, one technician and a mail clerk began processing scripts on Jan. 3.

Thrift Drug is a primary but not sole supplier of the union's $5 million drug plan, according to Ernest Sessa, executive director of AFSCME. "Our members have an option," he said. "They can also have their prescriptions filled in community pharmacies." But Thrift is the only source of mail-order scripts for the 100,000 health and welfare employees covered by the union's prescription plan.

Packets of information recommending that union members enroll in the mail-order program were sent out at the beginning of the year. To enroll, members fill out a registration card and then send their original scripts to Thrift's mail-order pharmacy for processing.

To attract members to the new cost-saving program, Thrift and the union have waived the traditional $1 per script copay.

The mail-order program uses Thrift's advanced on-line computer system, which allows patients' eligibility records to be readily retrieved. In addition, each patient's profile is automatically updated.

AFSCME will also save money because Thrift will dispense generic multisource drugs whenever possible.

One industry exec predicts a chain of mail-order prescription pharmacies within five years: "Once the numbers are right, we can stamp scripts out just as efficiently as A.A.R.P.," he said, referring to long-time mail-order suppliers from the American Association of Retired Persons.

The new program reportedly created a stir in Harrisburg, the state's capital, as state pharmaceutical association members began buttonholing legislators and the state attorney general for clarification on the exclusivity of the mail-order program's suppliers.

The Pennsylvania Pharmacists Association claimed since state funds are used to pay the program's costs, the use of one exclusive supplier—Thrift Drug—for all union members' mail-order scripts could be deemed restraint of trade.

According to Carmen DiCello, executive director of P.P.A., "The program originally excluded all pharmacies except Thrift from participation, and it covered the union's entire membership."

Propranolol leads beta blocker sales

ARLINGTON, Tex.—The beta adrenergic blocker market is characterized by a proliferation of new products as well as the dominance of one drug—propranolol (licensed from ICI Ltd. and marketed by Ayerst, a subsidiary of American Home Products). Ayerst continues to hold a whopping 60% share of the category's scripts.

That's the conclusion of a market analysis completed by researchers at Decision Data here.

Introduced in 1967, propranolol HCl was the first beta blocker on the market. Seniority, line extensions, and broadened usage indications produced impressive statistics for the brand. Propranolol captured the top three slots in the market and placed five entries among the top 10 listings.

The drug's approved indications are broad and include hypertension, arrhythmias, angina and migraine headache.

Newest indications for beta blockers center on their use in the reduction of mortality and reinfarction among post-myocardial infarction patients. To date only timolol (MSD's Blocadren) is cleared for treatment of this condition, but clinical trials are in progress to measure the efficacy of other drugs in this class for these conditions. Propranolol and metoprolol (Geigy's Lopressor) are expected to receive approval for this indication shortly.

Average prescription prices for beta blockers are above the industry average. A typical beta blocker costs consumers $14.34 per script. The industry average totals $9 per script.

Part of the explanation accounting for the above average prices lies in the quantity of product dispensed. For example, an average script is written for 82 dosage units, or approximately a month's supply.

The survey also revealed that cost to a pharmacy of selected

Continued on page 29

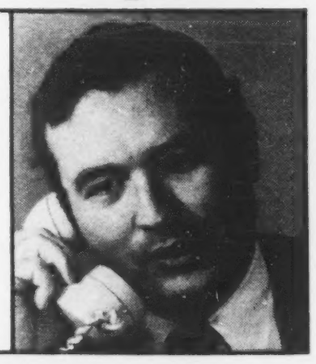
Beta Blocker market, November 1982

Drug description	Manufacturer	% Retail market share	% Refill	Avg. qty.	Avg. price	Avg. margin
Inderal 40mg	Ayerst	20.24	76.1	95	$13.54	21.6
Inderal 20mg	Ayerst	16.20	72.6	98	10.84	29.3
Inderal 10mg	Ayerst	15.53	74.9	102	8.48	32.2
Lopressor 50mg	Geigy	14.45	73.7	73	13.60	25.7
Tenormin 50mg	Stuart	9.01	62.9	46	19.10	22.9
Corgard 40mg	Squibb	6.23	68.3	48	16.49	23.2
Inderal 80mg	Ayerst	4.08	76.3	93	21.32	18.1
Lopressor 100mg	Geigy	4.02	73.1	76	23.30	17.3
Inderide 40-25	Ayerst	3.23	71.3	70	15.02	26.9
Corgard 80mg	Squibb	2.35	68.8	50	21.54	19.1
Tenormin 100mg	Stuart	1.33	62.6	43	24.73	18.0
Inderide 80-25	Ayerst	1.18	70.6	71	19.80	21.6
Blocadren 10mg	MSD	1.12	64.1	66	18.43	22.6
Timolide 10/25	MSD	0.43	65.2	58	19.06	22.6
Corgard 120mg	Squibb	0.38	66.7	53	28.51	14.0
Corgard 160mg	Squibb	0.10	65.5	48	31.56	14.5
Blocadren 20mg	MSD	0.10	62.1	57	27.51	16.6
Visken 5mg	Sandoz	0.03	0.04	44	10.04	37.5
Visken 10mg	Sandoz	0.01	0.0	66	18.05	26.0
Total		100.00	72.4	82	14.34	23.8

Source: Decision Data

Pharmacies to benefit from hospital cost-containment

Joseph Caputo, RPh
Pharmaceutical Editor



What's been increasing at the rate of 19% a year since 1979?

Stumped? Here's another clue.

What medical provider has a cost variance of 600% for a day's treatment?

If you chose hospitalization, you selected the right answer.

According to records being distributed by the department of Health and Human Services Secretary Richard S. Schweiker, the Government pays some hopsitals $1,500 to treat heart-attack patients, but pays others $9,000 to treat the same condition.

Yet, there's apparently no difference in the quality of care between the two institutions.

To make matters worse, hospital costs continue to escalate. In 1982, room and board fees rose almost 14%, or about three times the overall rate of inflation.

The underlying cause of these galloping price increases traces to a simple fact: hospitals are reimbursed by the Government for whatever amount the hospital spends. To alleviate this crisis, the Federal Government plans to change the formula by which Medicare reimburses hospitals.

In short, Schweiker's proposal provides an incentive for hospitals to be more business-like in their behavior (translate business-like to cost-conscious).

The proposal submitted by Schweiker outlines Medicare fees in advance, i.e., a predetermined amount of money would be paid for the detection and treatment of approximately 467 different standardized diagnoses. Savings resulting from the proposals are estimated at $2 billion by 1984.

Since Medicare spends some 70% of its $56 billion budget on hospitals, you may say it's about time some ceilings were placed on such an inflationary program.

There's little doubt the proposal will deflate price increases. Similar ceilings on the prescription portion of the Medicaid program produced a decline in the percentage of Medicaid funds spent on drugs—it was 6.8% of $12.3 billion in 1975, but declined to 5.7% of $23.3 billion in 1980.

If a parallel situation develops—one where the Medicare program mimics the Medicaid prescription program—there will be trouble ahead for hospitals, their employees, and their patients.

Private-pay patients will end up subsidizing the shortfall in hospital revenues which results when established hospital price ceilings don't keep pace with the escalating costs of goods and services being provided by the institution.

Hospital employees (not a particularly overpaid group of people to start with) will also see their paychecks frozen, or, at best, just not keeping pace with inflation.

And some smaller hopsitals with a sizable Medicare patient mix will be shuttered. Other hospitals will eliminate treatment for all but the most "profitable diagnoses." Research and teaching—a primary but costly function of some hospitals—will also suffer setbacks or increase tremendously in cost because they will have to show a profit.

Secretary Schweiker's proposal will also have a two fold impact on drug stores. Fewer smaller hospitals will remain open so neighborhood pharmacies will be thrust into the limelight, perhaps as the only provider of health services in selected areas. Still other hospitals may give up selected clinic services (but remain open) thereby creating an opportunity for nearby pharmacies to provide additional services which the hospital elected to drop.

On the other hand, some large, well-financed hospitals with a surplus of graduate student talent may eye the provision of expanded pharmaceutical services as a potential moneymaker.

Indeed, survey results indicate that hospital pharmacies are expanding their clinically oriented pharmaceutical services. For example, an ever-increasing number of hospitals now provide drug therapy consultation to physicians, drug utilization reviews, and pharmacokinetic services. And almost 90% monitor patient profiles and drug interactions. With services such as these being provided and Medicare reimbursing their costs, it's only natural that patients continue to patronize that which they know.

By every stretch of the imagination, the decade of the 80's will see progressive hospitals battling it out with progressive neighborhood pharmacies.

PHARMACY

McKesson re-enters pharmacy terminal sales

SAN FRANCISCO—After being out of the pharmacy terminal business for two and a half years, McKesson Drug has returned with 3 P.M.'s Pharmaserv stand-alone system.

Under the marketing agreement between 3 P.M. and McKesson, 3 P.M. will be responsible for retail sales and installation, as well as training pharmacists. Although McKesson will assist 3 P.M. on its sales presentations, McKesson's primary role will be that of distributor.

Digital Equipment Corp. will service the hardware; 3 P.M. will service the software.

Explains Tom George, director of services for McKesson Drug: "The Pharmaserv system has communications capabilities, and on a weekly basis third-party claim information is transmitted to 3 P.M.'s host computer in Michigan. Price update information is transmitted back to the pharmacy."

At a recent sales meeting, attended by McKesson representatives from Seattle, San Francisco, and Los Angeles, McKesson laid the ground work for an internal management network on sales and distribution of Pharmaserv. California, Washington, and Oregon will be the first areas of distribution.

Pharmaserv will be sold—not leased. The price is less than $20,000. "The retailer is buying a computerized pharmacy management system," says Tom George. "The system includes hardware, software, and installation. The service hardware program by Digital Equipment Corp., with one-day response time, will cost the retailer approximately $135 per month."

McKesson's prior experience with pharmacy terminals—an agreement with National Data Corp. (NDC) covering on-line, leased equipment—ended in the summer of 1980 when NDC terminated the contract. The termination occurred after NDC had installed more than 300 Econoscript terminals in 40 states.

McKesson's role with NDC was to sell and install Econoscript. With 3 P.M., McKesson's primary role is to market the Pharmaserv system and render support services to both 3 P.M. and the retail druggist.

McKesson's re-entry into pharmacy terminals follows on the heels of two new services: Econoprice and Econoclaim.

McKesson designed these two services for the drug retailer who wishes to grow into a full pharmacy system on a step-by-step basis rather than take the full plunge at one time. Tom George notes that "only 10% of pharmacies now have some type of pharmacy terminal, and one of the reasons is the cost."

George adds that "Econoprice and Econoclaim are the drug retailer's two most viable alternatives to a computer system because they embrace the two services pharmacists need most: consistent pricing and third-party capability."

Econoprice went national in May 1982, and in the first 90 days 1,000 retail pharmacies signed up. Since then, almost 1,000 additional independents and small/medium chains have been added.

Econoprice costs $39 per month per store. Under this program, the pharmacist submits his pricing formula to McKesson, which then calculates the retail price for each item. Prices are printed on stickers accompanying the order to the pharmacy and the stickers are affixed to each bottle.

Econoclaim was launched in August 1982, and has been installed in more than 100 stores in seven states. McKesson projects 600 installations by the end of 1983.

Econoclaim has an Apple computer chip which allows it to hold up to 650 Rx claims at one time.

Propranolol still leads market

Continued from page 23

beta blockers varies significantly. Metoprolol and atenolol are positioned as price-oriented brands for the treatment of hypertension. Literature indicates a month's supply averages at least 10% below the cost of a similar quantity of product produced by their closest competitor.

However, cost to consumers and its corresponding impact on retailer margins are another matter. Dollar margins returned to retailers average 24% for drugs in this market. Some of the highest dollar returns are generated by the 50mg and 100mg strengths of atenolol (Stuart's Tenormin), which yields margins of $4.37 and $4.45, respectively. Metoprolol 50mg and 100mg place second with margins of $3.50 and $4.03.

With refills accounting for 72% of all beta blocker scripts, these drugs present a typical maintenance medication profile, i.e., below average per cent margins.

And with such an attractive profile (heavy usage), it's not surprising that the category continues to attract new marketers. The newest product, pindolol (Sandoz's Visken), recorded a miniscule market share, but these figures reflect only November 1982 scripts—the earliest days after the drug's launch.

At least two other products waiting in the wings include oxprenolol and alprenolol. Both have shown effectiveness in the treatment of hypertension, angina and arrhythmias.

Total Rxs Dispensed in Millions

Month	1982	1981	% Change
January	117.1	132.3	−11.5
February	113.3	118.9	− 4.7
March	127.1	130.5	− 2.6
April	121.4	121.5	− 0.1
May	123.6	125.3	− 1.4
June	115.2	120.3	− 4.2
July	115.1	113.9	+ 1.1
August	124.2	110.5	+12.4
September	124.2	110.4	+12.5
October	132.9	122.3	+ 8.7
November	130.7	120.4	+ 8.6
11-month Total	1,345.1	1,330.2	+ 1.1

Source: PDS

Rx sales show rise

PHOENIX—The number of prescriptions dispensed in 1982 was slow getting off the ground, but showed gains over 1981 figures in the second half of the year.

These statistics, from Foremost McKesson's research branch, Pharmaceutical Data Services, were determined by monitoring a sample of pharmacy computer terminals and projecting these figures.

The numbers presented here compare, on a month-to-month basis, the total number of prescriptions dispensed nationally in 1981 to those filled in 1982.

Answer to Nostalgia Quiz:
Fred F. Canning of the Walgreen Co.

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PHARMACY

37% of consumers consult their pharmacists—F.D.A.

WASHINGTON—Thirty-seven per cent of consumers receive verbal information about prescription drugs from their pharmacists, compared to 65% who receive such information from physicians, according to a consumer study released by the Food and Drug Administration. Twenty-seven per cent said both pharmacists and physicians provide information.

The two types of information provided most frequently are how often to take a drug and how much to take. That information is offered more often than it is requested by patients. Only 4% of the consumers who got information had actually asked for it.

Other types of information provided included precautions about certain drugs (third on the list); number of renewals available (fourth), and mentions of a drug's side effects (fifth).

The survey also showed that 15% of the patients who received written information got it in a pharmacy, compared to 6% in doctors' offices. Two per cent received written information from both sources.

Where do patients receive verbal information on their prescription drugs

	Pharmacist/ someone in pharmacy	Physician/ someone in doctor's office	Both*
How often to take	26%	61%	19%
How much to take	25	59	19
Precautions	16	32	9
Renewals available	15	31	9
Possible side effects	11	26	4
Total percentage of patients receiving information on one or more of the above	37%	65%	27%

*The percentages in the "both" column are also included in the physician and pharmacist columns.

Source: F.D.A.

Other sources from which consumers receive information about drugs include friends/relatives/neighbors (14%); reference books (13%); magazines (4%); newspapers (3%), and television (3%).

These represent the preliminary findings of an F.D.A. sponsored consumer drug information survey conducted by Chilton Research Inc. Chilton interviewed 1,104 respondents, age 18 or over, who had prescriptions filled within four week of being contacted. Phone calls were placed to 8,000 households in order to obtain the 14% response rate.

Experts' recommendations

A primer for advising patients

NEW YORK—Here are some basic guidelines which may help pharmacists promote an information exchange with patients. According to Gail Quattlebaum and Richard Miller, communications skills trainers for Burston-Marsteller, pharmacists should:

- Select appropriate settings for patient consultations. The more private the setting, the more effective the consultation. Excessive noise, interruptions or physical barriers, such as pharmacy counters, can inhibit candid conversation.
- Be aware of attitudes and feelings that can influence communications. Displaying open-mindedness will gain the patient's trust.
- Know the patient. Beforehand review the patient's medication records. During the interview, carefully observe the patient's nonverbal communications.
- Achieve professional image. Look and talk the part of a health care professional. Pharmacist's appearance and the appearance of the pharmacy affects the patient's confidence.
- Put the patient at ease. An introduction and explanation of your purpose establishes patient rapport, as does a courteous relaxed tone in the interview.
- Demonstrate understanding and provide reassurance. Showing sensitivity and concern about the medical condition can stimulate discussion of critical information and raise a patient's awareness of personal responsibility in treatment. Convey empathy by reflecting on what was said in terms of your own experience.
- Use a positive approach. The effective consultation should be nonthreatening, but instructive. Recommendations that offer assistance and additional information are more likely to result in desired behavioral changes.
- Listen actively, and avoid distractions. To elicit information and ensure understanding, listen carefully and question appropriately.
- Adapt language to a patient's level of understanding. Listen to the patient's vocabulary and speaking patterns to gauge his level of understanding, then phrase your answer appropriately to ensure maximum comprehension.
- Close the meeting with a summary and next-step agreement. By agreeing to the next steps in the therapeutic regimen, the patient assumes equal responsibility for treatment.

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PHARMACY

Drug price hikes slow along with inflation

Increased prices obtained by producers of prescription drugs*

	12 months thru Nov. '82	1 month thru Nov. '82
Total of 21 Rx Drug Categories	+11.7%	+0.5%
Analgesics	+20.3	+0.4
Psychotherapeutics	+19.3	+3.1
Dermatologicals	+16.7	−0.6
Miscellaneous Rx Drugs	+16.2	+0.3
Antispasmodics	+11.7	no chg.
Cardiovasculars	+11.5	−0.3
Ophthalmics/Otics	+10.4	no chg.
Nutrients/Supplements	+10.0	NA
Systemic Anti-infectives	+ 5.8	+0.4
Diuretics	+ 3.0	no chg.
Cancer Therapy	NA	+4.3
Muscle Relaxants	NA	+2.9
Central Nervous System Stimulants	NA	+1.8
Bronchial Therapy	NA	+0.8
Hormones	NA	+0.2
Anticoagulants	NA	+0.1
Antiarthritics	NA	no chg.
Contraceptives	NA	no chg.
Cough and Cold	NA	no chg.
Sedatives	NA	NA
Vitamins	NA	no chg.

*Manufacturers' prices excludes taxes and freight charges.

Source: Bureau of Labor Statistics

NEW YORK—The worst of inflation may be over for the nation's drug stores, as price increases reported by producers of prescription and over-the-counter drug products trended lower during November.

According to the Bureau of Labor Statistics, month-to-month price increases for the combined (Rx and OTC) drug categories advanced only 0.4% in November. And prices on a year-to-year basis (from December '81 through November '82) totaled 10.3%.

Producers of prescription products led the advance with a monthly increase of 0.5% and an annual increase of 12%. The year-to-year advance was paced by four prescription product groups, each of which registered price upturns greater than 16%. These groups include analgesics +20.3%, psychotherapeutics +19.3%, dermatologicals +16.7%, and a miscellaneous prescription category +16.2%.

Four other groups—antispasmodics +11.7%, cardiovasculars +11.5%, ophthalmics/otics +10.4%, and nutrients/supplements +10%—were the other drug categories that registered double-digit price advances to retailers and wholesalers over the 12-month period.

Since the index is relatively new, annual comparisons were not available for 11 of the 21 prescription drug categories monitored.

Additional information available on a month-to-month basis revealed that price hikes for cancer therapy (+4.3%), psychotherapeutics (+3.1%), muscle relaxants (+2.9%), central nervous system stimulants (+1.8%), and bronchial therapy (+0.8%) continued their upward climb.

But virtually all other prescription drug categories recorded unchanged month-to-month price changes, or increases of 0.4% or less.

50 top-selling scripts

NEW YORK—*Drug Store News* has obtained a list of the top prescription products filled in drug stores during 1982.

These top 50 items account for approximately 41% of all new scripts filled in the United States. New products appearing for the first time include Feldene and Procardia (Pfizer) and Tenormin (Stuart). In order of performance, the items are:

1. Dyazide Capsules
2. Tagamet Tablets 300mg
3. Valium Tablets 5mg
4. Lasix Tablets 40mg
5. Tylenol W/Codeine 30mg
6. Slow K Tablets 600mg
7. Darvocet-N Tablets 100mg
8. Lanoxin Tablets 0.25mg
9. Lanoxin Tablets 0.125mg
10. Inderal Tablets 40mg
11. Dilantin Kapseals 100mg
12. Aldomet Tablets 250mg
13. Motrin Tablets 400mg
14. Dalmane Capsules 30mg
15. Empirin 325 W/Codeine 30mg
16. Zomax Tablets 100mg
17. Inderal Tablets 10mg
18. Keflex Pulvules 250mg
19. Inderal Tablets 20mg
20. Lopressor Tablets 50mg
21. Feldene Capsules 20mg
22. Lo/Ovral 21 pak
23. Motrin Tablets 600mg
24. Actifed Tablets
25. Diabinese Tablets 250mg
26. Bactrim D.S. 28 pak
27. E.E.S. Filmtabs 400
28. Ativan Tablets 1mg
29. Premarin Tablets 1.25mg
30. Valium Tablets 10mg
31. Dimetapp Elixir
32. Synalgos-DC Capsules
33. Lasix Tablets 20mg
34. Ortho-Novum 1/50 21
35. Indocin Capsules 25mg
36. Dimetapp Extentab
37. Monistat-7 Vaginal Cream
38. Hydrodiuril Tablets 50mg
39. Ovral 21 3 pak
40. Premarin Tablets 0.625
41. Keflex Pulvules 500mg
42. Procardia Capsules 10mg
43. Naproxyn Tablets 250mg
44. Amoxil Suspension 250mg/5ml
45. Lomotil Tablets 2.5mg
46. Septra-DS 20 pak
47. Tenormin Tablets 50mg
48. Librax Capsules
49. Clinoril Tablets 200mg
50. Aldoril-25 Tablets

Source: Decision Data

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CHAIN STORE AGE
MERCHANDISER
Video eats up traditional toy sales—p. 3

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DRUG STORE NEWS

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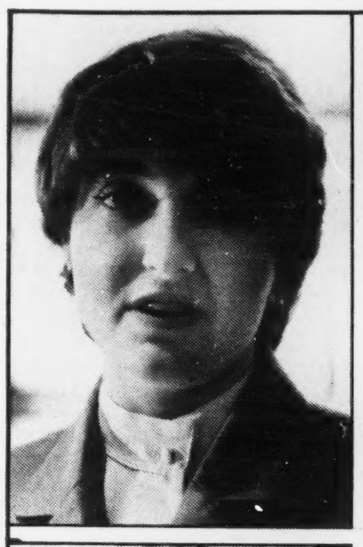
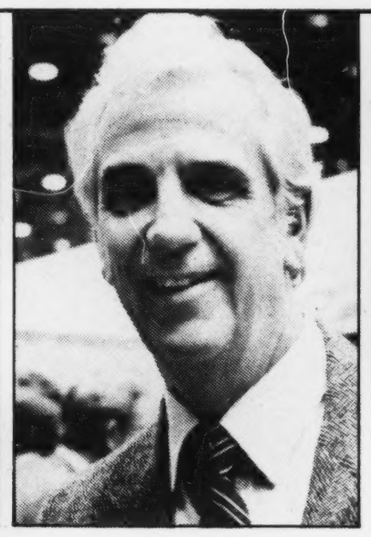
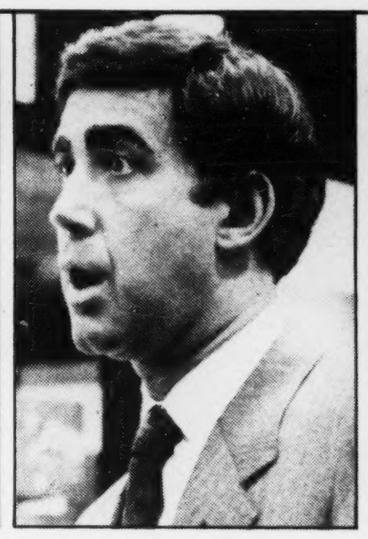
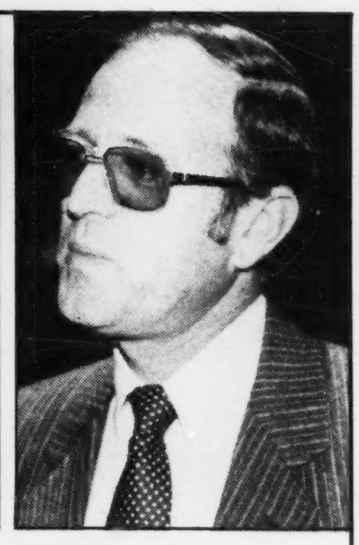
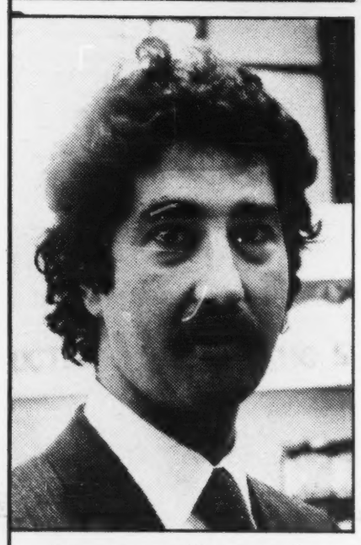










Top executives and buyers surveyed the floor at the Housewares Show in search of fresh items to replenish their stocks. They included: (l. to r., top row) Ann Manship, buyer for Hook Drugs; Jim Harrison, president Harco Drug; Jim Salmanson, vp Adams Drug; Harlan Posen, buyer for Thrifty Corp., and (above) Elliot Dworkin, vp of Revco.

Housewares buyers line up for telephones

By Faye Brookman

CHICAGO—The biggest items of interest to drug store buyers at this year's Housewares Show weren't even housewares products.

The real show-stoppers were telephones and accessories, which are drawing attention because of the new law requiring consumers to own their own phones by 1984.

Phone vendors, along with just about every other manufacturer, were happy to see chain drug buyers who, with clean inventories and cash on hand, were ready to replenish their stock.

Drug stores, the retailers said, enjoyed a better Christmas sell-through than other retail segments.

"When I see vendors of companies that are hard to get interested in drug stores smiling at me, I know we had a good sell-through," chuckled Peoples Drug's Norm Wendrow.

Optimism was evident on the floor, and chains were interested in a variety of items. For example, Sidney and Elliot Dworkin from Revco walked both the Transworld and N.H.M.A. show looking for promotional and staple items.

"We're in a good inventory position and we're looking at everything while we're here," Elliot Dworkin, vp of the Twinsburg, Ohio-based chain, said.

Unfortunately, most chain officials were pressed to name any really new and exciting products found at the show—other than phones. Yet, they maintained it was important to attend to gauge the mood of the industry and to insure they didn't miss a potentially hot item.

Continued on page 48

CVS to enter Calif. Rx field

By Allen Mundth

LOS ANGELES—Consumer Value Stores (CVS) will open its first West Coast drug store next month in what is expected to be a multistore test for the Rhode Island-based chain of 467 health and beauty aid stores and pharmacies.

A subsidiary of the diversified retailer, Melville Corp., CVS currently operates 16 4,000- to 5,000-sq.-ft. health and beauty aid stores in 15 southern California communities. The 9,100-sq.-ft. CVS drug store, a prototype unit, will open in mid-March in the Lakewood Square Shopping Center, a new 12-acre, 32-store development 20 miles southeast of Los Angeles.

A new, 44,000-sq.-ft. Safeway supermarket next door to the CVS pharmacy location does not contain a pharmacy department, but does have a two-sided 80-ft. aisle reserved for health and beauty aids, as well as 40 ft. of pegged cosmetics and eye care merchandise.

The decision to open the drug store follows more than a year of study by CVS executives into whether the chain could make a swift and successful entry into the highly competitive southern California drug store market.

The new California drug store signals a major change for CVS, which in the past has concentrated the bulk of its expansion efforts in areas where pharmacists are not represented by professional unions. How its entry into the heavily organized West Coast drug store market will impact CVS' nonunion position is uncertain.

As with the existing health and beauty aid stores, merchandise for the new drug store will initially be shipped cross-country from CVS' Woonsocket, R.I., distribution center. However, if the drug store

Continued on page 47

1982 drug store sales rise 5.1% to $34.7B

WASHINGTON—Drug store sales for 1982 increased 5.1% to $34.7 billion, up from $32.7 billion in 1981, according to the U.S. Commerce Department.

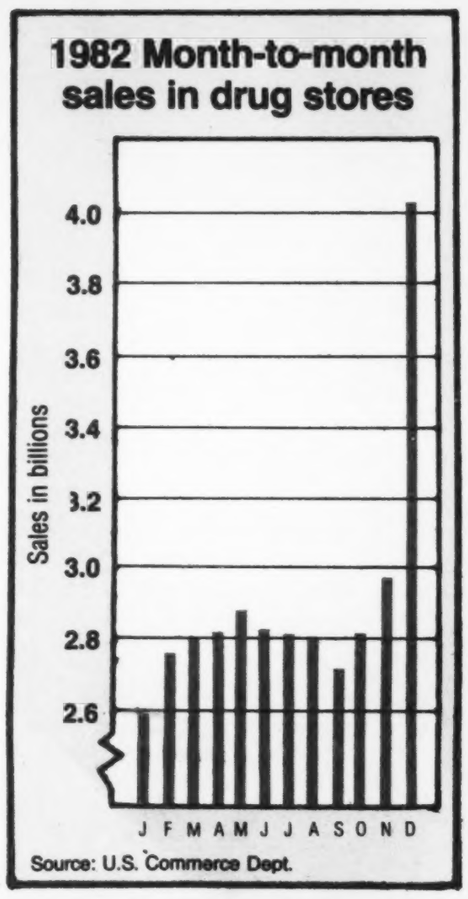
The figures are preliminary and will be revised in March.

The increase in drug store sales was bigger than the 3% increase reported by all retailers.

Strong unadjusted December sales of $4.08 billion, which were 6.3% better than the December 1981 figures, helped account for the total.

Although December traditionally is the biggest month for all retailers, it was especially good at drug stores. Sales increased 40.2% from November 1982 to December 1982.

That increase was approximately twice as big as the 20.4% reported by all retailers for the same period.



Walgreens aims for No. 1 in Rx

By Faye Brookman

CHICAGO—Walgreens is setting its sights on becoming the country's leading prescription dispenser.

That was one of the messages given to shareholders by chairman Charles R. Walgreen III and president Fred F. Canning during the annual shareholders' meeting here.

The top management team said pharmacy will play a crucial role in the chain's drive to reach $3 billion in sales by 1985 because prescriptions are one of drug stores' key traffic draws.

"Believe me—we don't take that pharmacy business for granted," the chain's president said. "We intend to keep it, improve it. What we really want is to be the No. 1 prescription supplier in the country." In 1982, prescription sales increased 27% and accounted for 16% of total volume.

Walgreen added the pharmacy will become even more important with the introduction of new drugs. He pointed out there have been no less than 50 new drugs launched since 1980 with at least five times that number in the pipeline.

"Chain drug stores fill 1 out of every 3 of these prescriptions, and we expect to get even more of this business in the future," Walgreen said.

Walgreen and Canning both said the chain's pharmacy computer system, Intercom, is one of the factors that will push the Rx business to new heights. Presently, 500 stores are online, with plans calling for the system to go chainwide by January 1984.

"There's no doubt that Inter-

Continued on page 47

LATE NEWS

SIDNEY DWORKIN, president and ceo of Revco D.S. Inc., has been named by the company directors to the additional post of chairman of the board of directors, filling the vacancy left by the death of Cleveland attorney Lee C. Howley Sr. Howley had served as chairman since 1969.

PERRY DRUG STORES reported a 15% decline in net earnings for the fiscal year ended Oct. 31. According to officials, the decrease in profits to $2.9 million resulted from lower-than-projected seasoned store sales (units open at least one year); higher advertising costs in a recessionary environment, and greater interest expenses. Sales rose 27% to $244.3 million. End of year store count was 125, a net gain of eight units.

Lilly plans limited Oraflex redistribution

ROCKVILLE, Md.—Physicians, but not drug stores, will begin receiving limited quantities of Oraflex this month under a heavily restricted new redistribution program launched by Lilly.

The firm's widely prescribed antiarthritis drug, which was withdrawn from the market last August at the peak of an international controversy, will be supplied initially to "a very limited group of physicians" estimated by the Food and Drug Administration at "fewer than 100."

F.D.A. officials who approved the Lilly plan under a new "treatment IND [investigational new drug]" said that only M.D.'s who participated in the original Oraflex premarket testing program would be eligible to receive the drug.

"These physicians will treat only patients who participated in the clinical trials and are not responding adequately to other therapies," F.D.A. said.

In approving limited distribution of Oraflex as an IND, officials at the agency explained that Lilly will not charge arthritis patients for the product, but that they "will be responsible for the extensive costs of regular and continuing tests that may signal adverse effects early."

Under the terms of the IND approval, Lilly must receive assurances from M.D.'s that these tests will be conducted before supplying them with Oraflex.

Officials at both F.D.A. and

Continued on page 48

— News in brief —

NHMA announces show date changes

CHICAGO—The National Housewares Manufacturers Association has announced another change in the Housewares Show dates for 1984. Instead of March 25-29, the show will be held April 8-12 and instead of Oct. 8-11, the second show will take place Oct. 9-12.

Marks named Merchandiser of Year

CHICAGO—David Marks, vp of division sales, was named Merchandiser of the Year by Affiliated Drug Stores. Phil Weinstein, president, and Dan Herrmann, this year's chairman of the New York buying group, made the presentation at a luncheon held during the NHMA Housewares Show.

F&M moves into former Woolco unit

VILLA PARK, Ill.—F&M, the Michigan-based low-margin operator, has taken advantage of a site left vacant by the closing of Woolco units with the recent opening of its newest store here. The store, F&M's ninth, is the first time the company has branched into the Chicago area. In addition to units in Michigan, F&M operates in Indianapolis and Toledo.

Big B continues combo expansion

BIRMINGHAM, Ala.—Big B has opened its second B-Mart food and drug combination store in Clanton, Ala., and construction has begun on the third combo unit.

The third store, which is a replica of the first, will open in May in Leeds, Ala. The combo stores are in new 32,000-sq.-ft. buildings that have 3,500 sq. ft. of storage space.

One third of the selling space in the stores is considered the drug section and the remaining selling area is considered the food section.

That makes the drug section of B-Mart slightly larger than the 9,000-sq.-ft. prototype Big B drug stores, although some Big B drug stores range up to 20,000 sq. ft.

The B-Mart in Clanton replaced a regular Big B drug store.

The chain opened its 82nd drug store in Evergreen, Ala., in January, the last opening of the fiscal year. Big B plans to kick off the new fiscal year in February with a traditional drug store in Mobile, Ala. It will be the ninth store in that market.

Walgreen Co. stock split 2-for-1

DEERFIELD, Ill.—Walgreen Co.'s board of directors announced a stock split during the shareholders' meeting. The 2-for-1 split will be distributed to shareholders on record as of Jan. 28, 1983.

The board also declared a regular quarterly cash dividend of 15¢ per share, based on the new shares. The last stock split was announced 12 months earlier.

NACDS sponsors resource meeting

ALEXANDRIA, Va.—Inexpensive compensation programs, selecting and retaining store clerks, maintaining non-union status and minimizing unemployment compensation costs are among the topics to be discussed at NACDS' 1983 Human Resource Management Conference Feb. 14-17 at the Don CeSar Beach Resort in St. Petersburg, Fla. The featured speaker, David L. Schmidt, president of Management Development Associates, Kansas City, Mo., will talk about sources of inexpensive compensation.

Morson, McKesson senior vp retires

SAN FRANCISCO—John Morson, senior vp-industry affairs for the Foremost-McKesson Drug & Health Group and 1981 president of the National Wholesale Druggists' Association, has retired.

Morson, who had been with McKesson for 36 years, held various marketing and manufacturing positions.

Winner of Nostalgia Quiz #17 chosen

The winner of Nostalgia Quiz #17 is D. E. Beadle of K mart in Lancaster, Ohio. The winner will receive $100 for correctly answering that the first year in which manufacturers were permitted to join NACDS was 1938. Nostalgia Quiz #20 can be found on page 45 of this issue.

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1st of 10 planned

Fay's to open Buffalo unit

BUFFALO—Fay's Drug will launch a projected 10-store expansion program in upstate New York and western Massachusetts this year when it opens a new store here next month.

Fay's, which in 1982 witnessed one of the country's most improved stock performances, is also nearing completion of a major modification of its Liverpool, N.Y., distribution center. The project consists primarily of installing a new loose pick area as well as mezzanine sections.

Next month, ground will be broken for construction of a $4.5 million, two-million cubic-foot expansion of the distribution center, scheduled for completion in the spring of 1984. Once completed the two projects will cost Fay's approximately $6.5 million.

Late last year, Fay's unveiled details of an ambitious 10-year growth plan, a blueprint that would more than double the chain's store count and increase its annual sales volume to $1 billion by 1992.

Fay's currently operates 90 stores in upstate New York, including key markets like Buffalo, Rochester, Syracuse and Albany, as well as two stores in northern Pennsylvania.

Two facing 30-ft. gondolas make up Thrifty's convenience food center.

Thrifty tests convenience foods in L.A. store adjoining hdqtrs.

LOS ANGELES—Thrifty Drug is testing a convenience food center in its 35,000-sq.-ft. store which adjoins Thrifty's corporate headquarters in Los Angeles.

The center abuts upfront liquor on the left side of the store and consists of two facing 40-ft. gondolas of national branded products.

One side stocks canned fruits and vegetables, juices, drinks, coffee/tea/chocolate, nondairy creamers and nonfat dry milk.

The facing gondola side has soups (canned and packaged), barbecue sauce, mustard, raisins, dried prunes, mayonnaise, canned meat and fish, cake mixes, peanut butter, preserves, cereal, crackers, cookies, olives, pickles, oils, shortening, instant dinners, macaroni and cheese, and gelatins and spaghetti.

In addition to the gondolas, Thrifty also displays food and paper goods on 11 endcaps, as well as on three of the 15, 4x4 promotional tables arrayed along the center aisle.

The food center is flanked by gondolas housing snacks and picnic supplies on one side and hardware on the other.

Shelf-talkers for food items combine art and special advertised prices at Thrifty's new convenience food center.

The conventional food setup in Thrifty stores does not use gondolas. Rather, food is featured on ends and some of the 4x4 center-aisle promotional tables. All food is in and out.

Hours for the food-test store are 6 a.m. to midnight. But Thrifty won't get any after-hour traffic spillover from Boys Market across the street because hours are identical to Thrifty.

Also across the street is a Clark Drug (open 9 a.m. to midnight), which has operated a convenience food section (two facing 22-ft. gondolas) since the store opened. Clark also stays with national brands.

Of its major competitors in California (Sav-On, Clark, Pay Less NW, Longs and Pay 'n Save) Thrifty was the last to get into promotional food.

As for nutrition centers, all Thrifty stores use a supplier-furnished end fixture stocked with basic items. Other Western chains are testing gondola layouts.

Smathers to head Eckerd Fla. division

CLEARWATER, Fla.—Eckerd vp Robert H. Smathers has been named to head Eckerd Drug Company's Florida division, the chain's largest with 352 stores, it was announced by Burton C. Perfit, president. He replaces John L. Bishop, who has resigned.

At the same time, Perfit announced the appointment of Robert K. Ramsden, a company vp, to the construction and distribution posts at Eckerd.

Ramsden, who will continue to supervise the data processing system and administrative services, replaces Joseph H. Terrell, who has resigned.

Before becoming Florida division manager, Smathers had served since August 1981 as a headquarters vp with responsibilities for finance and operations. Previously he was Charlotte division manager. Before the merger of the Jack Eckerd Corp. with Eckerd Drug Inc., in 1977, Smathers was senior vp of the latter in charge of store operations, finance and administration.

Smathers started his career in 1961 as an accountant with Eckerd and was named a vp in 1971.

Ramsden joined Eckerd in September 1978 as director of data processing.

Revco chairman Lee C. Howley dies

CLEVELAND—Lee C. Howley, chairman of the board of Revco Drug Stores for the past 15 years, died of an apparent heart attack last month while visiting Massachusetts.

A 1935 graduate of Western Reserve University Law School, Howley had served as Cleveland's municipal Law Director for six years, as well as general counsel for the Cleveland Electrical Illuminating Co. In 1975, he retired to become a general partner in the Cleveland law firm of Weston, Hurd, Fallon, Paisley and Howley.

Howley had been widely recognized for his contributions to the citizens of Cleveland, including his service as Commissioner of the city's Parks and Education boards.

At Revco, he was instrumental in development of the Revco annual marathon, as well as the newly established Revco Arthritis Research Center at Case Western Reserve University Hospitals.

PHARMACY

Medi Mart has streamlined its pharmacy in Cohasset, Mass., to speed the flow of scripts through the department. Phones, pharmaceuticals, prescription files and patients are all only a few steps away from working pharmacists.

Medi Mart settles on blueprint for Rxman ease—customer's too

By Joseph Caputo

QUINCY, Mass.—You're filling prescriptions, customers are asking questions and the phone is ringing off the wall.

It's a typical scene in any busy pharmacy department—one that's repeated continually throughout the day. But it's also a scene that can lead to pharmacist stress and frustration.

Doing three things at once isn't easy.

But now, after two years of testing and refinements, Medi Mart executives at the Quincy, Mass.-based chain say they may have found some solutions to this recurring problem.

The pharmacy department was redesigned with the goal of being more responsive to consumer needs and improving pharmacists' working conditions by removing some of the causes of stress associated with high-volume dispensing.

Toward this end, corporate industrial engineers working with Don Benovitz, vp of pharmacy relations, concluded that the pharmacists' work areas had to be redeveloped to provide patients better accessibility to pharmacists and speed up prescription flow through the department. The newly designed department has since been added to five other stores, four in Massachusetts and one in New Hampshire.

Now, says Benovitz, "when pharmacists are at their work stations, they are only three steps away from the phone, the prescription files, the pharma-

Continued on page 25

Decline reversed

U.S. script count rises for 2nd yr.

ROCKVILLE, Md.—The steady drop in the number of United States prescriptions filled annually—a source of mounting concern for drug chains and independents during most of the 1970's—was "a short-lived phenomenon" that clearly has been reversed, Food and Drug Administration researchers concluded.

The agency's latest annual review of *Drug Utilization in the United States* released late last month reports that the number of prescriptions climbed steadily higher for the second straight year in 1981 to between 1.42 and 1.45 billion nationwide.

The difference between the two figures—some 30 million scripts—depends on which drug tracking service you subscribe to, according to the F.D.A. researchers.

The lower figure reflects the results of IMS America's National Prescription Audit, which indicates that new prescriptions outnumbered refills by a 52% to 48% margin in the most recent (1981) survey year, and that pharmacy acquisition costs for Rx drug products reached a record $8.94 billion.

The slightly lower estimate comes from Pharmaceutical Data Services Alpha system. Like the NPA, Alpha measures "retail outflow" of prescription drugs from a scientifically selected sample of United States pharmacies. Unlike NPA, however, Alpha used an in-store computer data collection process in 1981, and as a result these figures may provide a more accurate count of Rx refills, F.D.A. said.

Projections based on the Alpha data indicate a 51% to 49% split between new and refill prescriptions, and a total pharmacy Rx drug acquisition cost of $8.2 billion in 1981.

In developing a 10-year Rx trend based on the NPA figures, F.D.A. researchers noted

Continued on page 27

F.D.A.'s top 10 drugs by brand name

Alpha[1] 1981 Rank	Alpha[1] 1980 Rank	NPA[2] 1981 Rank	Drug Product
1	1	1	Valium
2	2	2	Inderal
3	4	7	Lanoxin
4	3	3	Dyazide
5	6	5	Lasix
6	5	4	Tylenol w/Codeine
7	9	8	Tagamet
8	8	6	Motrin
9	13	44	Ortho-Novum[3]
10	11	9	Dalmane

[1]Pharmaceutical Data Services' Alpha system

[2]IMS America's National Prescription Audit

[3]Ortho Novum products are combined in the Alpha rankings but not in NPA's.

Source: F.D.A.'s *Drug Utilization in the U.S., 1981*

Health stamps: a way out of state budget squeeze

There's a battle brewing as pharmaceutical manufacturers scramble in reaction to state drug formulary cutbacks. Meanwhile the National Association of Chain Drug Stores is pressing states to provide more reasonable reimbursement methods for Medicaid scripts, and the American Pharmaceutical Association is fighting the inequities associated with the Maximum Allowable Cost program.

Sound like a mess? It really isn't. States facing fiscal crunches perpetually look for ways to keep a lid on the pharmaceutical portion of their Medicaid programs.

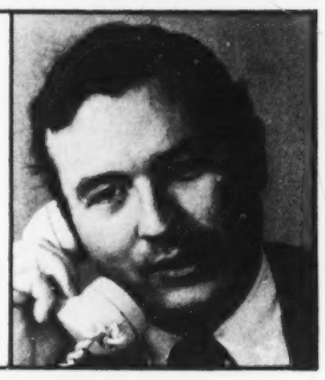
California is a case in point. The Department of Health Services in Sacramento scheduled hearings on regulatory changes which—if successful—will eliminate entire drug categories from its Medi-Cal program.

Expected savings if the changes are accepted—$16 million a year.

Common everyday drug remedies in a number of OTC and prescription therapeutic categories will no longer be covered. Seems the Golden Gate State is moving to eliminate coverage of single entity and combo OTC cough preps, expectorants, nasal decongestants, and antihistamines for all Medi-Cal patients except those in nursing homes. More importantly the same categories of prescription drugs are targeted for elimination from the program.

A number of other OTC and prescription drugs will no longer be covered whether the patient is in or out of a nursing home. Selected dermatologicals and internal analgesics as well as quinine capsules and tablets will be cut. Even vitamin combinations for persons over five years of age are slated for elimination from the program.

And a number of prescription drugs will no longer be covered: nonnarcotic analgesics, ophthalmic decongestants, antipruritics, as well as selected para-



Joseph Caputo, RPh
Pharmaceutical Editor

sympatholytics, narcotic analgesics, and some codeine containing analgesics will be cut.

As if in response, the Pharmaceutical Manufacturers Association (PMA) issued a policy statement in December opposing such changes. The association's statement recommends that states utilize more effective management techniques, rather than restricting drug product selection, to contain costs. PMA claims that denying reimbursement to providers for certain drugs or services restricts patient access to the particular products which may be ideal for specific individuals. PMA contends that the widest possible range of products and services must be available under publicly financed health programs.

Accordingly, decisions to select and use specific pharmaceutical products should be determined by the patient and the health care provider—not the state.

NACDS doesn't have a position on changing formularies and eliminating certain drugs from Medicaid coverage. But the association does want to preserve the drug benefits now available in the program. Since every state has some variation of Medicaid's drug program, the association's members have differing views about proposed changes, so there's no consensus.

On one point, however, there is unanimity: There is a crying need for an improved method of reimbursement. NACDS members feel the elimination of the "lower of" provision—now written into all state Medicaid regs—represents an inequity which must be dropped.

On yet another front, the National Association of Pharmacists is attacking the Medicaid inequities from a different perspective. The pharmacists group wants the Maximum Allowable Cost program repealed, or revised to function the way it was originally intended.

Space for this column doesn't permit further summaries of the trade's continued battles against big Government. Suffice to say the battles are many, the victories few.

Most people agree that the current program is unwieldy and unfair. Perhaps a simplified approach would produce better results for all: States would keep their drug formularies, but reimbursement would be based on regular retail price—the same price most patients now pay.

Medicaid recipients would receive an allotment of health stamps (like the stamps now used in the food program) to purchase their pharmaceuticals in the most convenient cost effective manner.

However, once a month's supply was exhausted the Medicaid patient would become a private-pay patient for the balance of the month. This would place a ceiling on the Government's liability.

The program could be tested in selected geographic areas where problems would be identified and solved before going nationwide. Cost savings could also be projected.

Although the savings wouldn't be great, at least some states might reconsider the gradual elimination of pharmaceutical services from the drug benefit portion of Medicaid.